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A-76 PROGRAM AUGMENTED BY BROADER REINVENTION OPTIONS

SYNOPSIS:

Mr. Barry Holman, General Accounting Office (GAO) Director for Defense Capabilities and Management, presented GAO observations on how the Department of Defense (DOD) uses OMB Circular A-76 to the Subcommittee on Technology and Procurement Policy, Committee on Government Reform, House of Representatives in June 2001. He presented information based on GAO studies conducted in recent years. The testimony reviewed the history of the A-76 program in DOD, addressed savings realized through the A-76 program, identified key issues raised through the DOD's A76 program as useful lessons for other agencies, and provided an update on the commercial activities panel that was formed by a Congressional mandate.

INFORMATION:

Recent GAO studies show that savings are being realized, but estimates are limited in the short term due to up-front investment costs associated with conducting and implementing the studies. To reduce programmed costs, most DOD activities rely heavily on reducing or restructuring positions.

The studies addressed the time required to complete A-76 studies, costs to implement the studies, difficulties involved in selecting functions to compete, and timing of budget reductions in anticipation of projected savings. Historically, the components project 13-21 months to complete a study but end up revising the timelines.

Recent data indicates that it takes approximately 24-27 months per study. (Note: OMB guidelines give 18-36 months with statutory limits of 24 months and 48 months.)

Since it takes longer to complete the studies than originally planned, the components are realizing a larger investment cost. Also, significant costs are being incurred in implementing the results of competitions. Transition costs greatly increase the cost of the study. These costs include separation costs for civilian employees who lose their jobs as a result of competitions won by the private sector or when the Most Efficient Organization (MEO) requires fewer employees. Next, the competed positions are constrained by geographically separated units, by separating commercial work from inherently governmental or exempted work, and by limited resources to conduct the studies. The last issue addresses the difficulties encountered in identifying candidates, completing studies, and recognizing that costs associated with implementing the studies will impact projected savings. These concerns affect actual savings and the ability to meet programmed savings targets.

Congress enacted Section 832 of the National Defense Authorization Act for Fiscal Year 2001 that required the Comptroller General to convene a panel of experts to study the policies and procedures governing the transfer of commercial activities from

government workers to contract operations. The panel convened on 8 May 2001 and held its first public meeting on 11 June 2001. Two additional hearings will be held later this year with a report of findings and recommendations due to Congress by 1 May 2002.

CONCLUSION:

This A-Gram is provided to increase awareness that the A-76 program is under close scrutiny by the GAO and Congress. Mr. Holman testified before the House of Representatives in an effort to allay Congressional concerns about the program. DOD is addressing these and other problem areas in its new guidance.

The DOD A76 program remains the most aggressive program in the federal government and is setting the standard for other federal agencies.

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